

JML 2/3/09

**DEPARTMENT OF TRANSPORTATION****AUDITS AND INVESTIGATIONS**

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February 3, 2009

Ms. Karen Wilcox, Director of Finance
Sacramento Area Council of Governments
1415 L Street, Suite 300
Sacramento, CA 95814

Re: Sacramento Area Council of Governments
Audit of Indirect Cost Allocation Plan for FY 2008/09
File No: P1190-0709

Dear Ms. Wilcox:

We have audited the Sacramento Area Council of Government's (SACOG) Indirect Cost Allocation Plan (ICAP) for the fiscal year ended June 30, 2009 to determine whether the ICAP is presented in accordance with Title 2 of the Code of Federal Regulations, Part 225 (formerly Office of Management and Budget (OMB) Circular A-87) and the Department of Transportation's (Department) Local Programs Procedures (LPP) 04-10. SACOG management is responsible for the fair presentation of the ICAP. SACOG proposed an indirect cost rate of 55.22% of total direct salaries and wages plus fringe benefits.

Our audit was conducted in accordance with the Standards for Performance Audits set forth in the *Government Auditing Standards* issued by the Comptroller General of the United States of America. The audit was less in scope than an audit performed for the purpose of expressing an opinion on the financial statements of SACOG. Therefore, we did not audit and are not expressing an opinion on the SACOG's financial statements.

The standards require that we plan and perform the audit to obtain reasonable assurance about whether the data and records reviewed are free of material misstatement, as well as material noncompliance with fiscal provisions relative to the ICAP. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the data and records reviewed. An audit also includes assessing the accounting principles used and significant estimates made by SACOG, as well as evaluating the overall presentation.

The accompanying ICAP was prepared on a basis of accounting practices prescribed in the 2 CFR 225 and the Department's LPP 04-10, and is not intended to present the results of operations of SACOG in conformity with generally accepted accounting principles.

The scope of the audit was limited to select financial and compliance activities. The audit consisted of a recalculation of the ICAP and a limited review of SACOG's Overall Work

Program for fiscal year 2008/09. A review of SACOG's single audit report for the fiscal year ended June 30, 2007, inquiries of SACOG personnel and reliance placed on the single audit report for the fiscal year ended June 30, 2007 and prior audit field work performed by the Department in September 2004. We believe that our audit provides a reasonable basis for our conclusion.


Because of inherent limitations in any financial management system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the financial management system to future periods are subject to the risk that the financial management system may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

AUDIT RESULTS

Based on audit work performed, SACOG's ICAP for the fiscal year ended June 30, 2009 is presented in accordance with 2 CFR 225 and LPP 04-10. The approved indirect cost rate is 55.22% of total direct salaries and wages, plus fringe benefits. The approval is based on the understanding that a carry-forward provision applies and no adjustment will be made to previously approved rates.

This report is intended solely for the information of SACOG, Department Management, the California Transportation Commission and the Federal Highway Administration (FHWA). However, this report is a matter of public record and its distribution is not limited.

Please retain the approved Indirect Cost Allocation Plan for your files. Copies were sent to the Department's District 3, the Department's Division of Accounting and the FHWA. If you have any questions, please contact Lisa Moreno, Auditor, at (916) 323-7885 or Amada Maenpaa, Audit Supervisor, at (916) 323-7868.


MARYANN CAMPBELL-SMITH
Chief External Audits

Attachments

- c: Brenda Bryant, Director, Financial Services, Federal Highway Administration
- Sue Kiser, Director, Planning and Air Quality, Federal Highway Administration
- Dan Mundy, Branch Chief, Rural Transit and Procurement, Division of Mass Transportation
- Tom Marez, Accounting Administrator 1, Local Program Accounting Branch, Division of Accounting
- Andrew Knapp, Associate Transportation Planner, Regional and Interagency Planning, Division of Transportation Planning
- Susan Wilson, Associate Transportation Planner, District 3
- Ben J. Bramer, Senior Transportation Engineer, District 3

SACRAMENTO AREA COUNCIL OF GOVERNMENTS (SACOG) INDIRECT COST ALLOCATION PLAN

Indirect Cost Plan

The indirect cost rate contained herein is for use on grants, contracts and other agreements with the Federal Government and California Department of Transportation (Department), subject to the conditions in Section II. This plan was prepared by the Sacramento Area Council of Governments and approved by the Department.

SECTION 1: Rates

<u>Rate Type</u>	<u>Effective Period</u>	<u>Rate*</u>	<u>Applicable To</u>
Fixed with carry forward	7/01/08 to 6/30/09	55.22%	All Programs

* Base: Total Direct Salaries and Wages plus fringe benefits

SECTION II: General Provisions

A. Limitations:

The rates in this Agreement are subject to any statutory or administrative limitations and apply to a given grant, contract, or other agreement only to the extent that funds are available. Acceptance of the rates is subject to the following conditions: (1) Only costs incurred by the organization were included in its indirect cost pool as finally accepted; such costs are legal obligations of the organization and are allowable under the governing cost principles; (2) The same costs that have been treated as indirect costs are not claimed as direct costs; (3) Similar types of costs have been accorded consistent accounting treatment; and (4) The information provided by the organization which was used to establish the rates is not later found to be materially incomplete or inaccurate by the Federal Government or the Department. In such situations the rate(s) would be subject to renegotiation at the discretion of the Federal Government or the Department; (5) Prior actual costs used in the calculation of the approved rate are contained in the grantee's Single Audit, which was prepared in accordance with OMB Circular A-133. If a Single Audit is not required to be performed, then audited financial statements should be used to support the prior actual costs; and, (6) This rate is based on an estimate of the costs to be incurred during the period.

B. Accounting Changes:

This Agreement is based on the accounting system purported by the organization to be in effect during the Agreement period. Changes to the method of accounting for costs, which affect the amount of reimbursement resulting from the use of this Agreement, require prior approval of the authorized representative of the cognizant agency. Such changes include, but are not limited to, changes in the charging of a particular type of cost from indirect to direct. Failure to obtain approval may result in cost disallowances.

C. Fixed Rate with Carry Forward:

The fixed rate used in this Agreement is based on estimate of the costs for the period covered by the rate. When the actual costs for this period are determined—either by the grantee's Single Audit or if a Single Audit is not required, then by the grantee's audited financial statements—any differences between the application of the fixed rate and actual costs will result in an over or under recovery of costs. The over or under recovery will be carried forward, as an adjustment to the calculation of the indirect cost rate, to the second fiscal year subsequent to the fiscal year covered by this plan.

D. Audit Adjustments:

Immaterial adjustments resulting from the audit of information contained in this plan shall be compensated for in the subsequent indirect cost plan approved after the date of the audit adjustment. Material audit adjustments will require reimbursement from the grantee.

E. Use by Other Federal Agencies:

Authority to approve this agreement by the Department has been delegated by the Federal Highway Administration, California Division. The purpose of this approval is to permit subject local government to bill indirect costs to Title 23 funded projects administered by the Federal Department of Transportation (DOT). This approval does not apply to any grants, contracts, projects, or programs for which DOT is not the cognizant Federal agency.

The approval will also be used by the Department in State-only funded projects.

F. Other:

If any Federal contract, grant, or other agreement is reimbursing indirect costs by a means other than the approved rate(s) in this Agreement, the organization should (1) credit such costs to the affected programs, and (2) apply the approved rate(s) to the appropriate base to identify the proper amount of indirect costs allocable to these programs.

G. Rate of Calculation:

FY 2009 Budgeted Indirect Costs	\$ 2,787,010
Carry Forward from FY 2007	<u>285,511</u>
Estimated FY 2009 Indirect Costs	\$ 3,072,521
FY 2009 Budgeted Direct Salaries and Wages plus Fringe Benefits	\$ 5,564,438
FY 2009 Indirect Cost Rate	<u>55.22%</u>

CERTIFICATION OF INDIRECT COSTS

This is to certify that I have reviewed the indirect cost rate proposal submitted herewith and to the best of my knowledge and belief:

- (1) All costs included in this proposal to establish billing or final indirect costs rates for fiscal year 2009 (July 1, 2008 to June 30, 2009) are allowable in accordance with the requirements of the Federal and State award(s) to which they apply and 2 CFR Part 225, "Cost Principles for State, Local and Indian Tribal Governments." Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.

- (2) All costs included in this proposal are properly allocable to Federal and State awards on the basis of a beneficial or causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently and the Federal Government and the Department will be notified of any accounting changes that would affect the fixed rate.

I declare that the foregoing is true and correct.

Governmental Unit: Sacramento Area Council of Governments

Signature: Karen Wilcox

Reviewed, Approved and Submitted by:

Name of Official: Karen Wilcox

Title: Director of Finance

Date of Execution: August 1, 2008

Signature: Karen Wilcox

Prepared by:

Name of Official: Karen Wilcox

Title: Director of Finance

Telephone No.: 916 340 6210

INDIRECT COST RATE APPROVAL

The Department has reviewed this indirect cost plan and hereby approves the plan.

Clifford R. Vose
Signature

Reviewed and Approved by:

Clifford R. Vose
Name of Audit Manager

Title: Senior Mgmt Auditor

Date: 3 Feb 09

Phone Number: (916) 323-7917

Lisa Moreno
Signature

Reviewed and Approved by:

Lisa Moreno
Name of Auditor

Title: Associate Mgmt Auditor

Date: 2/3/09

Phone Number: (916) 323-7885

Attachment A

J-B p.5
1190-0709
Jul 2/3/09

**Sacramento Area Council of Governments
FY 2008-09 Indirect Cost Allocation**

Indirect Services and Support

FY 08-09

Total Indirect Expenses

2,787,010 <From below and from page 1-25 of budget book>
<Carry-forward Computation #2.>

Carry-Forward (+ or -) from FY 06-07

285,511 <Carry-forward Computation #3.>

ADJUSTED INDIRECT TOTAL

\$ 3,072,521

Total Direct Salary and Benefit

\$ 5,564,438 <See budget book at marked page>
<Carry-forward computation #1.>

PROPOSED INDIRECT RATE - FY 2008-09 55.22%

Indirect Detail for FY 2008-09

See also FY 2008-09 Budget document Page 1-25

EXPENDITURES	AMOUNT
Meetings / Training	\$ 10,000
Printing	5,000
Consultant	90,000
Mileage	12,000
Legal Services	300,000
Other Expenses	3,000
Books & Periodicals	4,500
Office Supplies	40,000
Postage	27,000
Telephone	30,000
Office Equipment Maintenance	12,000
Memberships	45,000
Depreciation	30,000
Insurance	71,000
Building Rent - Meridian Plaza	644,802
SACOG Vehicle Parking	8,550
Office Equipment < \$1,000	10,000
Accounting Processing Costs	8,000
Career Development Program	75,000
Computer Software Maint/Licences	51,000
Temporary Services	3,000
Indirect Staffing (salaries/benefits)	1,307,158
TOTAL FOR FY 2008-09	\$ 2,787,010

2.

Attachment A **CARRY-FORWARD COMPUTATION**

FISCAL YEAR	2004/05	2005/06	2006/07	2007/08	2008/09
APPROVED INDIRECT RATE	49.38%	50.05%	57.01%	57.83%	55.22%
ESTIMATED (ALLOCATED) COSTS					
Base Salaries & Benefits	\$4,598,991	\$4,459,916	\$5,057,381	\$5,247,057	\$5,564,438
Indirect Costs	\$2,293,500	\$2,249,890	\$2,433,322	\$2,730,156	\$2,787,010
Carry Forward (+ or -)	(\$22,606)	(\$17,702)	\$449,775	\$304,450	\$285,511
Adjusted Indirect Costs	\$2,270,894	\$2,232,188	\$2,883,097	\$3,034,606	\$3,072,521
ACTUAL COSTS					
Base Salaries & Benefits	\$3,833,123	\$4,307,127	\$4,876,498		
Indirect Costs	\$2,365,177	\$2,477,870	\$2,615,828		
Carry Forward (+ or -)	(\$22,606)	(\$17,702)	\$449,775	\$304,450	\$285,511
Adjusted Indirect Costs	\$2,342,571	\$2,460,168	\$3,065,603		
CARRY-FORWARD COMPUTATION					
Actual Recovery					
49.38% x \$3,833,123	\$1,892,796				
50.05% x \$4,307,127		\$2,155,718			
57.01% x \$4,876,498			\$2,780,092		
Should Have Recovered	\$2,342,571	\$2,460,168	\$3,065,603	\$0	\$0
Initial (OVER) / UNDER-RECOVERED	\$449,775	\$304,450	\$285,511	\$0	\$0
CALTRANS AUDITS REVISIONS					
Final (OVER) / UNDER-RECOVERED	\$449,775	\$304,450	\$285,511	\$0	\$0

Element: 07-020 Indirect Services & Support
Status: Active
PROJ. MGR: Karen Wilcox

Project Description	CURRENT		%	BALANCE	%	COMMITTED		7/1/2006												
	BUDGET	SPENT				ORIG P.O.	PAID	REMAINING	JULY	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
01 Indirect Services & Support																				
3 Meeting	10,000	12,099	121	(2,099)	(21)				182	1,470	1,153	3,714	191	1,018	4,861	(2,588)	603	321	348	825
5 Printing	5,000	15,003	300	(10,003)	(200)				892	298	1,937	3,282	221	519	169	946	1,464	1,014	1,730	2,640
6 Consultant	87,000	39,071	45	47,929	55			34,999				30,295		1,620						7,156
7 Mileage	15,000	11,408	76	3,592	24				810	806	13	827	863	845	1,116	887	948	1,039	1,113	2,141
8 Legal Service	150,000	257,799	172	(107,799)	(72)						24,733	14,820	3,000	33,315		16,785	49,028	22,944		93,173
10 Other	3,000	676	23	2,324	77				86	82	95	(893)	94	118	212	99	112	103	103	467
11 Periodicals	4,500	4,227	94	273	6				276	372	275	191	481	129	729	243	865	459	35	171
12 Supplies	76,000	38,499	51	37,501	49				388	2,579	10,428	2,724	7,435	5,131	5,458	(9,718)	3,106	2,691	5,529	2,748
13 Postage	18,000	22,605	126	(4,605)	(26)				1,993	64	4,187	2,734	2,128	2,214	2,519	112	2,099	96	2,291	2,167
14 Telephone	30,000	32,906	110	(2,906)	(10)				2,800	986	3,683	2,292	1,853	2,334	2,250	3,765	3,854	1,398	4,318	3,372
15 Office Equip Maintenance	18,000	6,176	34	11,824	66				533	533	9,927	3,700	2,276	207	1,794	(11,733)	740	533	533	835
16 Membership	46,700	42,794	92	3,906	8				185	15,158		3,700	5,125	8,699	1,200	770	6,550	787	490	130
17 Depreciation	124,000	136,081	110	(12,081)	(10)							36,988		35,229			32,554			31,301
18 Insurance	67,000	67,478	101	(478)	(1)				3,634			57,441	(5)			6,000	1,188	(780)		
19 Unemployment Costs	3,000			3,000	100															
21 Building Rent-Meridin Plaz	598,120	641,863	107	(43,743)	(7)				49,435	50,757	50,757	50,757	50,757		101,514	79,828	52,746	52,746	52,746	49,818
23 Vehicle Parking	7,200	7,400	103	(200)	(3)				600	600	600	600	600	600	600	600	600	600	600	800
25 Office Equip < \$1,000	10,000	16,825	168	(6,825)	(68)											15,507	1,318			
32 Accounting Services	8,000	8,169	102	(169)	(2)				474	566	468	670	463	477	806	909	452	904	634	1,346
33 Copier usage cost/suppls		1,671		(1,671)					(1,868)	(2,513)	436	939	(339)	(195)	1,940	4,225	(565)	(2,284)	(701)	2,597
42 Career Development Progm	75,000	49,690	66	25,310	34				2,295	902	5,850	2,382	537		3,651	15,248	3,058	1,955	7,408	6,405
69 Computer Software & Maint	51,000	36,601	72	14,399	28						5,415		18,755		2,158	8,005	354	1,127	734	52
70 Temporary Service	10,000	2,119	21	7,881	79									454			151		757	757
138 Professional Svc-Indirect	1,015,802	1,164,671	115	(147,869)	(15)				82,468	106,643	92,930	112,291	82,236	80,309	100,664	83,496	111,299	105,088	109,710	97,538
PROJECT TOTAL	2,433,322	2,615,828		-182,506		42,000	7,001	34,999	145,182	179,292	212,787	325,765	176,672	173,021	231,641	213,385	272,525	190,741	188,376	306,439
02 Indirect Service Allocation																				
XFER Transfer Indirect Services	(2,875,493)	(2,780,091)	97	(95,402)					(198,529)	(255,006)	(215,243)	(236,096)	(225,666)	(198,028)	(257,915)	(219,252)	(249,263)	(243,365)	(250,121)	(231,568)
ELEMENT TOTAL	(442,171)	(164,263)	37	(277,908)		42,000	7,001	34,999	(53,347)	(75,714)	(2,456)	89,669	(48,994)	(25,006)	(26,274)	(5,867)	23,263	(52,645)	(61,745)	74,851

J-B p 7
1190-0709
m 2/3/09